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State of Tennessee. Prison operations
From December 1, 1898 to December 1,
1900



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STATE OF TENNESSEE.

PRISON OPERATIONS

FROM

DECEMBER 1, 1898 TO DECEMBER 1, 1900.

REPORT OF

J. W. ALLEN,
AUDITING ACCOUNTANT,

TO

HON. BENTON McMILLIN,
GOVERNOR

DATE, JANUARY 24, 1901.

Published by authority of Senate Joint Resolution No. —

GOSPEL ADVOCATE PUBLISHING CO.,
NASHVILLE.

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AMERICAN
COLUMBIAN

REPORT.

NASHVILLE, TENN., January 24, 1901.

Hon. Benton McMillin, Governor, Nashville, Tenn.

DEAR SIR: Having been appointed on November 27, 1900, to investigate and audit the books and accounts of the State Prison from December 1, 1898, to December 1, 1900, I make the following report:

Gross earnings, two years	\$748,928 30
Expenses of operations, two years	506,939 88
Net earnings, two years	\$241,988 42

December 1, 1898, to December 1, 1899:

Gross earnings	\$313,709 69
Expenses of operations	226,382 60
Net earnings	\$ 87,327 69

December 1, 1899, to December 1, 1900:

Gross earnings	\$435,218 61
Expenses of operations	280,557 88
Net earnings	\$154,660 73

MAIN PRISON.

Gross earnings, two years	\$278,817 08
Expenses of operations, two years	245,433 19
Net earnings, two years	\$ 33,383 89

December 1, 1898, to December 1, 1899:

Gross earnings	\$129,684 43
Expenses of operations	111,700 40
Net earnings	\$ 17,984 03

December 1, 1899, to December 1, 1900:

Gross earnings	\$149,132 65
Expenses of operations	133,732 79
Net earnings	\$ 15,399 86

BRUSHY MOUNTAIN.

Gross earnings, two years	\$470,111 22
Expenses of operations	261,506 69
Net earnings	\$208,604 53
December 1, 1898, to December 1, 1899:	
Gross earnings	\$184,025 26
Expenses of operations	114,681 60
Net earnings	\$ 69,343 66

December 1, 1899, to December 1, 1900:

Gross earnings	\$286,085 96
Expenses of operations	146,825 09
Net earnings	\$139,260 87

The foregoing is a general summary of the results of my investigation, a detailed statement of which, by months, amounts, and accounts, in tabulated form, numbered numerically as to the Main Prison, and alphabetically as to Brushy Mountain, is hereto attached and made a part of this report.

MAIN PRISON.

Statement 1. This statement shows total disbursements, gross and net earnings, by amounts and accounts, from December 1, 1898, to December 1, 1900.

Gross earnings	\$278,817 08
Expenses of operations	245,433 49
Net earnings, two years	\$ 33,383 59

Vouchers issued by the Prison Commissioners are sight drafts upon the State Treasury; therefore they constitute the expenditures of the State Prison. From December 1, 1898, to December 1, 1900, vouchers have been issued as follows:

Red vouchers	\$230,161 54
White vouchers	15,271 65
Total	\$245,433 19

December 1, 1898, to December 1, 1899:

Red vouchers	\$105,678.25
White vouchers	6,022.43
Total	\$111,700.40

December 1, 1899, to December 1, 1900:

Red vouchers	\$124,483.27
White vouchers	9,249.52
Total	\$133,732.79

These amounts constitute the expenditures of the Main Prison given in this statement. White vouchers are generally issued on account of moneys expended and charged to the Building Fund; but the records and books show that this fund was not only exhausted on December 1, 1898, but that the account had been overdrawn at that date in the sum of \$7,865.80, the details of which are given in another statement in this report. The prison was completed, and the Legislature, at its extra session in 1898, appropriated \$25,000.00 for the completion of the factory buildings. This being done, all expenses incident to the proper keeping thereof, including all cost of new or additional machinery, improvement, equipment, or construction rendered necessary by the wear and tear of the old or by the increase of business, constitute a charge against the gross earnings and should be paid therefrom. This is the practice of all large corporate enterprises, and no other practice has heretofore been known in correct bookkeeping.

The gross earnings of convict labor in this statement is the net amount charged to contractors after deducting any credits or rebates that may have been given by the Prison Commissioners. There was no charge made against Peebles & Cokerill and Tant for the labor received by them, but was discovered in checking up the Time Register. The earnings from the sale of old prison material is simply the amount of the cost of convict labor engaged therein in getting out the stone to reimburse the prison management. The earnings from the United States Government

is an extra earning of 25 cents per day paid for the board of its prisoners. Other miscellaneous earnings are the cash receipts from the sources indicated. The net credit or earning on "Accounts Receivable," etc., is credited to the earnings of November, 1900, and should also be applied to the credit of convict labor. It is arrived at in the following manner:

Accounts Payable, December 1, 1900	\$16,220 88
Less Accounts Payable, December 1, 1898....	12,151 90
Net addition to expenditures	\$ 4,068 98
Accounts Receivable, December 1, 1900, man- ufacturing department	\$ 1,119 03
Accounts Receivable, December 1, 1900, farm (including car of wheat in transit)	1,969 04
9,513 1/3 bushels of wheat in warehouse, at 79 cents	6,449 36
United States Government, cash and trans- portation advanced	847 59
Total gross credits	\$10,385 02
Less Accounts Receivable, December 1, 1898, manufacturing department	\$ 584 96
Less Accounts Receivable, December 1, 1898, farm	1,049 77
Total deductions	\$ 1,634 73
Net credit to earnings	\$ 8,750 29
Net additions to expenditures as above given, or charge vs. earnings	4,068 98
Net earnings	\$ 4,681 31

The warehouse receipts show that 4,354 10-60 bushels of this wheat were deposited in the warehouse of the Liberty Mills on September 6, 1900, and that 4,859 10-60 bushels were deposited in the warehouse of the Tennessee Milling Company on August 27, 1900.

No further credits are allowed for "Supplies on Hand," from the fact that the amounts on hand in the regular run of business from month to month or from year to year are generally offset by the other, and this is especially true where the situation is in such proximity to market, and

where it is not essential to purchase in large quantities or more than is necessary for one month's consumption.

The net earnings given in this statement are derived as follows:

EARNINGS FROM CONVICT LABOR.

Foundry	\$ 9,234 10
Tennessee Harness Company	7,026 46
Houston & Leggett	5 94
N., C. & St. L. Ry. Co.	59 21
Peebles & Cockrill	64 16
West Nashville Land Company	62 97
Tant	56
Inman	5,755 62
Accounts Receivable, etc.	4,681 31
Total earnings	\$26,890 33

LOSS FROM CONVICT LABOR.

Box factory	\$ 1,301 09
Chair and Carriage Company.....	3,832 58
Fizer & Co.	713 65
R. A. Foster	82 00
Hosiery Company	10,981 97
Shoe Company	5,291 55
Total loss	\$22,202 84
Net earnings from convict labor	\$ 4,687 49
Board United States prisoners.....	19,924 75
Rent	1,076 39
Rent of brick plant	5,300 00
Royalty on brick	1,065 53
Gate receipts	1,307 63
Gate receipts, old prison	22 10
Total net earnings as per statement.....	\$33,383 89

Statement 2. This statement shows total convicts maintained and worked, average per working day of each, total cost of operations, gross and net earnings, and loss, by months, at Main Prison, from December 1, 1898, to December 1, 1900.

December 1, 1898, to December 1, 1899:

Total gross earnings	\$129,684 43
Total expenses of operations	111,700 40
Net earnings	\$ 17,984 03

Average number of convicts in prison each working day	1006
Average number of convicts working each working day	858
Average gross earnings per day for each worker...	48
Average cost per day for each worker.....	41
Average net earnings per day for each worker.....	07
Average gross earnings per day for those working on contracts45848
Average cost per day for those working on contracts42298
Net earnings per day by those working on contracts03550
December 1, 1898, to December 1, 1900:	
Total gross earnings	\$149,132 65
Total expenses of operations	133,732 79
Total net earnings	\$ 15,399 86
Average number of convicts in prison each working day	1034
Average number of convicts working each working day	890
Average gross earnings per day for each worker...	51
Average cost per day for each worker.....	45
Average net earnings per day for each worker.....	06
Average gross earnings per day for each worker on contracts, including Accounts Receivable credit48200
Average cost per day for each worker on contracts	.50580
Average loss per day for each worker on contracts	.0238

Statement 3. This statement shows red vouchers issued at Main Prison, by months, amounts, and accounts, from December 1, 1898, to December 1, 1900, each year separately.

Statement 4. This statement shows white vouchers issued at Main Prison, by months, amounts, and accounts, from December 1, 1898, to December 1, 1900, each year separately.

December 1, 1898, to December 1, 1899:

Red vouchers	\$105,678 27
White vouchers	6,022 13
Total vouchers issued	\$111,700 40

December 1, 1899, to December 1, 1900:

Red vouchers	\$124,483 27
White vouchers	9,249 52
Total vouchers issued	\$133,732 79
Total vouchers issued, two years	\$245,433 19

These statements check up with the books, with the exception of a few errors amounting in the aggregate to about \$90.00 (which have all been corrected), and constitute the expenditures of the Main Prison.

Statements 5 and 6. These statements show total cost to maintain and operate, gross and net earnings on convict labor at Main Prison from December 1, 1898, to December 1, 1900, giving each contractor and each year separately.

December 1, 1898, to December 1, 1899:

Gross earnings all contractors, convict labor.....	\$108,478 09
Expenses of operations	99,760 64
Net earnings	\$ 8,717 45
Total gain	\$ 15,046 01
Total loss	6,328 56
Net gain	\$ 8,717 45

December 1, 1899, to December 1, 1900:

Gross earnings all contractors, convict labor.....	\$116,331 15
Expenses of operations	120,361 11
Net loss	\$ 4,029 96
Total gains	\$ 11,844 32
Total losses	15,874 28
Net loss, December 1, 1899, to December 1, 1900.....	\$ 4,029 96
Net gain, December 1, 1898, to December 1, 1899.....	\$ 8,717 45
Net earnings convict labor, two years.....	\$ 4,687 49

The gross earnings in these two statements comprise the total charges to the various contractors or lessees of convict labor after deducting all rebates and reductions allowed by the Commissioners on labor, and some items of expenditures credited upon their respective accounts not vouch-

ered. In computing the cost of maintenance and operations chargeable to the earnings of convict labor, I have treated the farm and manufacturing department as a part and parcel of the Main Prison. The object of the manufacturing department is to manufacture clothing for the convicts upon the presumption that the cost of clothing could be materially lessened thereby. For that reason the cost of the manufacturing department, less receipts on account of the sales of clothing, etc., constitutes the total cost of clothing furnished by the manufacturing department. The object of the farm is to furnish supplies and food for the prisoners upon the presumption that they can be furnished cheaper or for less money than they could be purchased; therefore, the cost of the farm, less the sales, constitutes the net cost of the supplies, haulage, etc., furnished by the farm. There are a few sales, as shown by the cashbook, on account of supplies and other materials charged to maintenance account. These, with other receipts on account of board, transportation refunded, etc., should be deducted from the amount expended for maintenance as per voucher record, in order to get the net cost of maintenance. The net cost of maintenance as per voucher record, added to the net cost of the farm and the net cost of the manufacturing department, gives the total cost of maintenance. The cost charged against the earnings of convict labor in these statements is as follows:

December 1, 1898, to December 1, 1899:

Cost of maintenance, voucher record.....	\$38,821 87
Less board and miscellaneous cash receipts and moneys refunded	1,042 60
Net cost of maintenance, voucher record	\$37,779 27
Cost of farm, voucher record.....	\$23,395 92
Less farm receipts, cash.....	8,919 80
Net cost of supplies furnished by farm, exclusive of labor.....	14,476 12

Cost of manufacturing department.....	\$10,497 06
Less manufacturing department receipts, cash	1,977 36
Net cost of clothing furnished by manufacturing department, exclusive of labor	8,519 70
Total cost of maintenance.....	\$60,775 09

This cost is distributed to workers as follows:

Convict labor, contractors.....	\$53,186 26
Convict labor, on prison operations.....	7,203 74
Convict labor, on old prison buildings...	385 09
Total	\$60,775 09

The cost of convict labor on operations of prison on account of repairs, improvements, etc., less the cost of labor used on the old prison buildings, which constitutes the only earning from that source, should be then redistributed to the cost of convict labor furnished to contractors or lessees, which, added to the cost shown by voucher record on account of prison operations, makes the total cost as follows:

Maintenance	\$53,186 26
Cost of prison operations, convict labor.....	7,203 74
Cost of operations, red voucher record.....	32,963 42
Total red vouchers	\$93,353 42
Total white vouchers	6,022 13
Total cost to maintain and operate contract labor	\$99,375 55
Total cost to maintain old prison labor.....	385 09
Total net cost of convict labor.....	\$99,760 64

December 1, 1899, to December 1, 1900:

Cost of maintenance, voucher record ...	\$40,542 15
Less miscellaneous cash receipts for board, transportation refunded, etc... ..	2,426 92
Net cost of maintenance, voucher record	\$38,115 23
Cost of farm, voucher record.....	\$27,774 66
Less farm receipts	7,624 28
Net cost of supplies, etc., furnished by farm, exclusive of labor	\$20,150 38

Cost of manufacturing department	\$21,524 71
Less manufacturing department receipts	3,320 48
Net cost of clothing furnished by man- ufacturing department, exclusive of la- bor	<u>\$18,204 23</u>
Total cost of maintenance	\$76,469 84

This cost is distributed to workers as follows:

Convict labor, contractors	\$65,167 60
Convict labor, prison operations	10,172 32
Convict labor, on old prison buildings...	1,129 92
Total	\$76,469 84

The cost of convict labor on account of prison operations, less the cost of labor used on old prison buildings, which constitutes the only earning from that source, is then redistributed to the cost of convict labor furnished the various lessees or contractors, which, added to the cost shown by the voucher record, makes the total cost as follows:

Maintenance	\$ 65,167 60
Cost of prison operations, convict labor.....	10,172 32
Cost of operations, red voucher record.....	34,641 75
Cost of old prison labor	1,129 92
Total red vouchers	\$111,111 59
Total white vouchers	9,249 52
Total net cost of convict labor.....	\$120,361 11

Neither the books of the Main Prison or the report of the Commissioners show the true condition of affairs. They do not treat the moneys expended on account of the farm or the manufacturing department as a part of the expenses of the prison. They simply treat such part of these expenditures as are furnished in supplies, as an expense, at such valuation as they choose to put upon them, thereby showing a *fictitious* profit, which runs through the entire system of calculations, and which has no place whatever in correct bookkeeping. Neither do they treat all expenses of operations as an expense, but only such part of

same as they see fit, and the balance expended on those accounts seems to be offset by such increases in inventories as the exigencies of the occasion demand. In their trial balances for 1899 they charge only \$87,618.66 of red vouchers against the earnings of contract labor, when they should have charged \$99,760.64. In their trial balances for 1900 they charge only \$92,119.23 of red vouchers against the earnings of contract labor, when they should have charged \$111,111.59, which leaves \$31,134.34 on red vouchers alone to be offset by fictitious earnings and increases in inventories that should not exist. If a farmer buys a plow and charges it to his operating account, and then at the end of the year credits himself with it, the effect would be the same as if he had never charged it. The fact that he has the plow on hand may reduce his expenditures for the next year, but the cost of that plow certainly belongs to the operating account of the year in which it was purchased.

CONTRACTS.

The prison management has so arranged it that at some seasons of the year the convicts at the Main Prison work nine and nine and one-half hours per day, while at other seasons of the year they work ten and ten and one-half hours per day. The average day's labor for the year is ten hours. If a convict becomes too ill during the day to work, he is excused by the physician, and such time as he actually works, counting ten hours per day, is charged upon the Time Register against the contractors. The Time Register contains only such net time as the convict is engaged at work, and is, therefore, the basis of distribution of convict labor. The net time shown by the Time Register is then supposed to be posted on the ledger as a charge to each contractor or lessee of convict labor at the rate or rates specified in the contract.

BOX FACTORY.

Statement 7. This statement shows the total number of days and rate per day charged to the box factory for convict labor, by months, at the Main Prison, from December 1, 1898, to December 1, 1900; also total number of days shown to have been worked by the Time Register, the net charges constituting the gross earnings to the State.

Gross earnings, two years	\$ 4,898 52
Cost, two years	6,199 61
Net loss, two years	\$ 1,301 09
Number of days' labor received	13,328 75
Number of days charged on account	12,081 10
Number of days not charged	1,247 65
Number of days allowed free under contract	1,226
Number of days to be added to account	21 65

There seems to be no regular legally drawn contract existing between the State and this company. They seem to have been operating under an agreement made on January 31, 1898, between John H. Trice and W. H. Morrow, on the part of the State, and I. Wingard, the manager, whereby the State was to receive 35 cents per capita for the first six months, and 40 cents per capita for the remaining period, which may be extended to March 1, 1903. I find in the papers a letter from Hon. W. A. Carter, one of the Prison Commissioners, dated September 26, 1900, to Mr. Wingard, calling his attention to the fact that under the agreement then existing the State was losing money. This resulted in a new contract being made, whereby the State now receives 45 cents per day for the labor employed. Under this contract they are entitled to two extra men free, or 1,226 days for the two years. This leaves 21.65 days still unaccounted for that should be charged to their account. Under this contract from twenty to twenty-five men are worked.

CHAIR AND CARRIAGE COMPANY.

Statement 8. This statement shows the total number of days and rate per day charged to the Nashville Chair and Carriage Company for convict labor at the Main Prison, by months, from December 1, 1898, to December 1, 1900, also total number of days worked as shown by the Time Register, the net charge constituting the gross earnings to the State.

Gross earnings, two years	\$20,386 76
Cost, two years	24,219 54
Net loss, two years	\$ 3,867 58
Number of days' labor received, time register	51,501
Number of days charged on account	45,502 51
Number of days not charged	5,998 49
Number of days allowed free under contract	1,226
Number of days that should be added	4,772 39
which, at the average price of 45 cents per day, makes	\$2,147.62.

This contract bears date of February 8, 1898, and expires March 1, 1903; it provides for the employment of from twenty-five to ninety-nine convicts, divided into two classes, for which 60 cents per day is paid for the first class, and 30 cents per day for the second class, each day to count ten hours, and two helpers each day allowed free of charge.

FIZER & CO.

Statement 9. This statement shows the total number of days and rate per day charged to Fizer & Co. for convict labor at the Main Prison, by months, from December 1, 1898, to December 1, 1900, also total days worked as shown by Time Register, the net charge constituting the gross earnings to the State; also total rent for Brick Plant and Royalty.

Gross earnings, two years	\$12,884 30
Cost, two years	13,597 95
Net loss to State, two years	\$ 713 65

Number of days' labor received, Time Register.....	29603
Number of days' labor charged to account.....	26078
Number of days' labor not charged.....	3525

I find no provision in the contract allowing the labor not charged. This contract bears date of February 9, 1898, and expires March 1, 1901, and while in operation employs from thirty to sixty men at a rate of 75 cents per day for first class, 55 cents per day for second class, and 30 cents per day for boys and "deadheads." In March, 1898 and 1899, and in June, 1899, credits of \$101.13, \$138.37, and \$500.00, respectively, were allowed for brick and for building kilns, etc., in violation of the express provisions of the statute requiring all expenditures to be vouchered and paid for out of the State Treasury. In June, 1899, a credit of \$250.00 was given them as a reduction on labor, for which I find no provision in the contract. Net earnings to the State, as shown by this statement, on account of Royalty on brick amount to \$1,065.53 for the two years, and net earnings to the State on account of rent of Brick Plant amount to \$5,300.00 for the two years.

FOUNDRY.

Statement 10. This statement shows the total number of days worked as per Time Register, material produced, with rate charged for same per one hundred pounds to Duncan & Co., operators of the foundry, by months, from December 1, 1898, to December 1, 1900, the net charge constituting the gross earnings to the State.

Gross earnings, two years	\$40,346 75
Cost, two years	31,112 63
Net earnings to State, two years	\$ 9,234 10
Number of days' labor furnished, time register.....	67,410

This contract bears date of June 26, 1897, and expires March 1, 1903. It provides for employment of ninety-nine men, and for the payment to the State of 65 cents

per hundred pounds for first-class castings, and 50 cents per hundred pounds for second-class castings, the minimum price to be paid per month being \$1,500.00. The ledger account of this company contains a charge for 306,-175 pounds of third-class material for the two years at 10 cents per hundred pounds. I find no provision in the contract covering this. In November, 1899, a credit of \$134.18 was allowed for discount, and \$793.94 allowed and charged to "profit and loss." In December, 1899, a credit of \$1,242.14 was allowed on Foundry production. The earnings reported in this statement are net, after deducting these credits. I find no provision in the contract providing for these credits.

HOSIERY COMPANY.

Statement 11. This statement shows the total number of days and rate per day charged to the Rock City Hosiery Company for convict labor at the Main Prison, by months, from December 1, 1898, to December 1, 1900, each year separately, also number of days furnished as shown by the Time Register, the total net charge constituting the gross earnings to the State.

Gross earnings, two years	\$ 55,396 08
Cost	66,378 05
Net loss	\$ 10,981 97
Number of days' labor furnished, Time Register.....	143,401
Number of days' labor charged to account.....	141,526 94
Number of days' labor net charged to account.....	1,874 06

The labor not charged is not allowed free under any provision of the contract that I can find.

The convicts charged to the Hosiery Company are operated under two contracts—one for as many as ninety-nine convicts for manufacturing hosiery, and one for from twenty to fifty convicts for coloring and dyeing hosiery, etc. The original contract with Leo Kaufman bears date

February 12, 1897, but was modified March 1, 1899, by providing for the payment of 42 cents per day per convict instead of 10 cents per dozen for men's and women's hose, and 7½ cents per dozen for children's hose. The contract with Isaac May, made March 7, 1899, provides for the employment of from twenty to fifty convicts at 40 cents per day, and expires March 1, 1903. I find no provisions in the contract for the employment of the convicts shown in this statement at the rate of 28 cents per day. In March, 1899, this company received twenty-eight days' extra work, which was not charged.

In November, 1900, a credit of \$657.06 was given this company on their labor account for an economic boiler, in pursuance of an agreement that seemed to have been made March 13, 1899. This boiler seems to have been purchased by the Hosiery Company from John P. Dale, December 12, 1898, for the sum of \$645.00. If it was right for the Commissioners to purchase this boiler, their failure to pay for the same by voucher is in violation of the statute providing that all expenditures for the Prison shall be paid out of the State Treasury.

TENNESSEE SHOE MANUFACTURING COMPANY.

Statement 12. This statement shows the total number of days and rate per day charged to the Tennessee Shoe Manufacturing Company for convict labor at the Main Prison, by months, from December 1, 1898, to December 1, 1900, each year separately, also number of days' labor furnished as shown by the Time Register, the total net charge constituting the gross earnings to the State.

Gross earnings, two years	\$ 42,178 15
Cost, two years	47,469 70
Loss, two years	\$ 5,291 55
Number of days' labor furnished, time register.....	102,025
Number of days' labor charged to account.....	97,881
Number of days' labor not charged.....	4,144

I find no provisions in the contracts allowing more than three helpers free to Goodbar, and two helpers free to Yerkes, aggregating for the two years 3,130 days, leaving a balance of 1,014 days unaccounted for. The convicts operated by this company are under two contracts—one with Goodbar & Co. for the manufacture of shoes, and one with H. C. Yerkes for the manufacture of shoe findings. Each contract bears date of February 23, 1898, and expires March 1, 1901, and calls for the employment of as many as ninety-nine men at the rate of 40 cents per day for the first year, and 45 cents per day for the second and third years. They have options to extend contracts to March 1, 1903, by paying 50 cents per day.

TENNESSEE HARNESS COMPANY.

Statement 13. This statement shows the total number of days and rate per day charged to the Tennessee Harness Company for convict labor at the Main Prison, by months, from December 1, 1898, to December 1, 1900, each year separately, also total number of days' labor shown to have been furnished by the Time Register, the net charge constituting the gross earnings to the State.

Gross earnings, two years	\$27,184 28
Cost	20,157 82
Net earnings	\$ 7,026 46
Number of days' labor furnished, Time Register.....	3,417
Number of days' labor charged.....	41,618 5
Number of days' labor not charged.....	1,498 5

The number of days not charged are allowed free under the contract.

This contract bears date February 23, 1898, and expires March 1, 1901; it provides for the employment of fifty convicts at the rate of 60 cents per day for the first year, and 70 cents per day for the second year. This company has the privilege under the contract of renewing or

extending it to March 1, 1903, by paying 80 cents per day. They seem to be working about an average of six men per day at the rate of 25 cents per day, for which I find no provision in the original contract.

INMAN.

Statement 14. This statement shows the total number of days and rate per day charged G. W. Nixon, assignee, for convict labor furnished at Inman, Tenn., by months, from December 1, 1898, to December 1, 1900, each year separately, the net charge constituting the gross earnings to the State.

Gross earnings, fourteen months	\$14,889 98
Cost, fourteen months	9,134 36
Net earnings, fourteen months	\$ 5,755 62
Number of days' labor furnished, Time Register.....	21,017
Number of days' labor charged to account.....	18,689 10
Number of days' labor not charged.....	2,327 90
Average per day	6 38

The men not charged were cooking and in the hospital and doing other work around the camp, and seem to be allowed in the contract.

The convicts at Inman seem to have been worked under one or more modifications of an old contract dated June 16, 1896. This contract was made and entered into between the Board of Prison Commissioners and the Tennessee Coal, Iron and Railroad Company, and provided for the payment by said company to the State of 25 cents per ton for the labor performed by the convicts in mining iron ore. This contract was, a few days after its execution, transferred to George Nixon by said company, the company agreeing to take the output of the mines from him at 60 cents per ton, the said Nixon to furnish oils and other necessaries for mining purposes. The Legislative Committee of 1897, after reviewing these and other facts, on pages 10 and 11 of their report, stated that 25 cents per

ton was not fair and just to the State, and that unless the State was paid at least 30 cents per ton the contract should be discontinued. The result of this investigation seems to have been a change in the contract from the payment of 25 cents per ton to 65 cents per day, which was afterwards increased to 75 cents per day: and when the convicts were taken away from the camp in January, 1900, the State was receiving 90 cents per day for those working. In May, 1900, a credit of \$148.73 was allowed on this account, sufficient to balance it, and charged to profit and loss. I find no provision in the contract covering this. There was no separate account kept as to the cost of the convicts at Inman, and the charges of cost against the earnings at Inman are based upon the cost of maintenance and operations at the Main Prison. The Commissioners might with the same propriety have kept Brushy Mountain operations in the same manner.

Statement 15. This statement shows all miscellaneous earnings from convict labor at the Main Prison from December 1, 1898, to December 1, 1900, by months, also the net earning of 25 cents per day each for board of United States prisoners.

Total miscellaneous earnings	\$ 446 62
Total earnings from board of United States prisoners.	19,924 75

FARMING OPERATIONS.

Statements 16 and 17. These statements show the moneys expended and cash receipts on account of farming operations at the Main Prison, by months and accounts, from December 1, 1898, to December 1, 1900, each year separately. The accounts of the Morrow farm, for which the State pays an annual rental of \$3,000.00, are not kept separately from those of the State farm, and are, therefore, included in these statements.

December 1, 1898, to December 1, 1899:

Total expenditures, voucher	\$23,595 92
Cash receipts	8,918 80
Balance	\$14,476 12

December 1, 1899, to December 1, 1900:

Total expenditures, voucher	\$27,771 65
Cash receipts	7,024 28
Balance	\$20,150 38

As to whether the farm is or is not making any money, no one can tell. The net cost is charged to maintenance account, and it is to be presumed that by its operations the cost of prison supplies is materially lessened. The cost of labor from December 1, 1898, to December 1, 1899, amounted to \$4,602.21; while from December 1, 1899, to December 1, 1900, it was \$6,226.64. Farming operations for the past two years, including the Morrow farm, required an expenditure of \$61,999.43, and I submit whether or not that outlay of money should produce greater or less results than are herein perceptible. In checking up the farm books, I find that the farmer has kept an account of his transactions and has reported the same promptly to the authorities. On December 14, 1898, he purchased twenty-three sacks of bran for \$24.15, out of the proceeds of the sales of wheat amounting to \$209.27. The cost of this bran was never vouchered, as required by law. This transaction was reported by him as it occurred, and a voucher should have been issued for the bran by the prison management instead of handling the transaction as they did. The practice of buying and selling beef cattle and hogs seems to exist to some extent in farming operations, amounting in the two years to \$4,886.21.

ACCOUNTS PAYABLE.

Statement 18. This statement shows Accounts Payable, Main Prison, December 1, 1900. Total amount, \$16,220.88.

ACCOUNTS RECEIVABLE.

Statement 19. This statement shows Accounts Receivable, Main Prison, December 1, 1900. Total amount, \$25,663.83.

ACCOUNTS RECEIVABLE (FARM).

Statement 20. This statement shows Accounts Receivable, Main Prison, December 1, 1900, farming operations. Total amount, \$1,969.04.

PAY ROLL.

Statement 21. This statement shows the pay roll for Main Prison for November, 1900, giving amounts due each and salary received per month. Total for November, \$2,151.65.

CASH RECEIPTS.

Statement 22. This statement shows the total cash receipts of the State Prison from all sources, by months, amounts, and accounts, from December 1, 1898, to December 1, 1900, each year separately.

December 1, 1898, to December 1, 1899...	\$306,650.35
December 1, 1899, to December 1, 1900...	415,552.96
Total cash receipts	\$722,203.31

EXPENSES OF OPERATIONS.

December 1, 1898, to December 1, 1899...	\$226,382.00
December 1, 1899, to December 1, 1900...	280,557.88
Total expenditures	\$506,939.88
Excess of cash receipts over expenditures	\$215,263.43

The cash receipts, together with the \$100.90 on hand December 1, 1898, amounting in the aggregate to \$722,304.21, were paid into the State Treasury from December 1, 1898, to December 1, 1900; while the books of the State Comptroller and Treasurer show the sum of \$722,324.13 to have been paid in. This leaves a balance of \$16.92 paid

into the State Treasury by the Prison Commissioners more than the cashbook shows should have been paid. This is an amount received that was never credited, so far as I have been able to ascertain, or charged on the cashbook.

TIME REGISTER.

Statement 23. This statement shows the total number of days maintained, average per working day, and how and by whom the convicts were employed at the Main Prison, by months, from December 1, 1898, to December 1, 1900, each year separately.

December 1, 1898, to December 1, 1899:

Average number convicts in prison each working day	1,006
Total days maintained	314,872
Total days working on contracts	235,234 5
Total days working on prison operations	33,564
Total days cooking, etc.....	46,073

December 1, 1899, to December 1, 1900:

Average number convicts in prison each working day	1,064
Total days cooking, etc.....	54,615
Total days working on prison operations.....	41,135
Total days working on contracts.....	237,184
Total days maintained	332,934

This statement is the basis of distribution of both the earnings of convict labor and the cost chargeable thereto.

COST OF NEW PENITENTIARY.

Statement 24. This statement shows various appropriations made by the Legislature for building and erecting the new penitentiary at Nashville and the prison at Brushy Mountain, and the various amounts expended therefor.

Total cost to December 1, 1898:

Main Prison	\$554,375 57
Brushy Mountain	200,275 69
General expenditures	40,899 22
Total	\$795,550 48
Total appropriations	787,684 68
Amount overdrawn, December 1, 1898	\$ 7,865 80

In this statement credit is given for all appropriations claimed. While the appropriation for \$36,867.14 is treated regularly as such, because it was included in the appropriation bill of 1897, it was never intended that this amount should be added to the original appropriation of \$600,000.00 made for the purpose of building and erecting the State Prison, and its incorporation in the appropriation bill was through a misapprehension of facts in connection therewith.

The cost of the outer wall of the Main Prison was \$36,867.14, the details of which are as follows:

Neely & Smith	\$27,872 05
Stockades, tools, etc	1,198 34
Freight, N. C. & St. L. Ry. Co.	2,814 58
Blacksmithing, etc	300 13
Gates	352 75
Towers	243 00
Guard wire	125 00
Excavations	2,969 42
Foundations	295 50
Architect and supervision	716 36
Total	\$36,867 14

These amounts were paid from time to time to the various parties entitled thereto pending the construction of the outer wall. After its completion the Prison Commissioners drew up another voucher, made payable to themselves, for \$36,867.14, the cost of the outer wall, for which Comptroller's warrant No. 11779 was issued on December 18, 1896, with a view of passing the same into the Treasury of the State to the credit of the Building Fund. The result is that two vouchers were issued by the Prison Commissioners covering the same services performed for the State. The Comptroller would never have issued his warrant for this voucher, had he been in possession of all the facts; and had the State Treasurer recognized it, the effect would have been the same as if the cost of the outer wall

had never been charged to the Building Fund, as required by law. I am informed that the books of the Comptroller's office show that this warrant is still outstanding. If so, it is an outstanding obligation of the State, and should be immediately looked up and canceled, and due record thereof made upon the legislative journals.

The report made by Mr. Nixon for the Board of Prison Commissioners, of date of June 30, 1900, showing a balance withdrawn of \$8,039.27 on the Building Fund account, is incorrect.

WARDEN'S BOOKS.

The books of the Warden have all been checked, and he has promptly reported and paid over at the end of each month all gate receipts and other miscellaneous collections made by him to the Prison Commissioners, except that the books of ex-Warden W. H. Gammon show that he still owes the State the sum of \$84.48 for a portion of his collections in June, 1899.

BOOKS.

The books kept at the Main Prison are wholly inadequate and not in keeping with the great volume of important business transacted. The cashbook is one of original entry. On the debit side it is charged with the payments of moneys, and on the credit side are placed the amounts paid into the State Treasury. This is not as it should be. There should be a book of blank receipts, numerically numbered. A receipt should be given for every cent paid in, stating from whom and on what account received. This should then be posted to the cashbook as a charge against Cash. The credit side of the cashbook should contain the disbursements of the prison, posted there from the voucher records. At the end of the month these amounts should be abstracted by accounts and posted to a general ledger containing these accounts. The total charges on these accounts then added together constitute the total cost of prison operations for

that month, and should balance with the voucher records. This general ledger should contain no individual accounts. There should also be a ledger containing all individual accounts, to which should be posted from the Time Register the convict labor and any or all other matters pertaining to prison operations necessary to properly conduct the business. In classifying the accounts for which moneys are expended, every dollar expended on the Foundry Building or Harness Company Building, or any other building, for repairs or otherwise, should be charged directly to the operations of that department, thereby decreasing as much as possible the moneys to be distributed *pro rata* between all operative accounts upon the basis of the number of convicts employed in each. This would place each contract more directly upon its own merits and would enable the officials in charge to keep directly in touch with the result of the operations of each contract at the end of each month. As the books are kept now, all expenditures are prorated equally. This does injustice to some contractors, while it helps others. The cost of the manufacturing department, less the sales of that department for each month, constitutes the cost of clothing furnished by that department. This cost should then be distributed between the State and Brushy Mountain on the *pro rata* basis, bearing in mind also the difference in the durability of the clothing at the two places. Brushy Mountain should then be charged with, and should pay for, that part of the cost of clothing. The balance of the cost of clothing furnished by the manufacturing department should then be added to the clothing bought, and charged directly to that account on the voucher record, and distributed with other supplies, etc., to the maintenance account. This would absolutely eliminate all fictitious profits from the books on this account.

The cost of the farm, less the sales or receipts, constitutes the cost of the supplies furnished by the farm. *This cost, no more or less*, should then be added to the moneys ex-

pended for other supplies, as shown by the voucher record, and distributed to the maintenance account. The total cost of maintenance, less any moneys refunded, etc., should then be distributed pro rata to the various prison operative accounts, according to the department in which each convict is engaged at work. Then the cost or moneys expended for prison operations, both for labor and amounts paid for by voucher, less any amounts that may have been expended and charged directly to any special account, should be distributed pro rata to the various lessees or contractors of convict labor and charged to the department in which the convict is working. These distributions can all be made properly by journal entry and can all be traced back to the voucher record; and when posted to the ledger account, the total charge on the debit side of the account constitutes the cost of that department to the State for the month, year, or other given period. Vouchers should issue from a voucher book, numbered numerically, the *original* entry being upon the stub thereof, instead of being issued first, then numbered, and then entered upon the voucher record. The individual ledger should contain, among others, the accounts of all lessees or contractors of convict labor.

The total number of convicts charged up to these accounts should balance with the total number of convicts shown to have worked there by the Time Register. If the State gets nothing for some of the convicts furnished its contractors, they should be charged up to them just as though a stipulated sum was being paid. In this way the books are always in balance with the convicts in prison as well as in balance with moneys expended or received.

BRUSHY MOUNTAIN MINES.

Statement "A4" shows the total expenditures and net sales of coal and coke and various other receipts from December 1, 1898, to December 1, 1900. The total expenditures amount to \$261,506.69 and constitute every cent ex-

pended, from the rations furnished the laborer cutting the coal to the collection of the earnings and placing them into the State Treasury. The sales of coal and coke and other miscellaneous receipts, amounting to \$470,111.22, constitute the gross earnings for the time mentioned, except the sum of \$44,945.52 is still uncollected, and is included in the statements showing Accounts and Bills receivable. These accounts, in my opinion, are all good, and are treated as earnings in this report. By deducting the expenditures from the gross earnings it will be seen that these magnificent properties have yielded to the State within the past two years the sum of \$208,604.53 net earnings, or \$104,302.26 per annum; or from December 1, 1898, to December 1, 1899, \$69,343.66, and from December 1, 1899, to December 1, 1900, \$139,260.87.

Statement "A" shows gross earnings, expenses of operations, and net earnings by months; also total convicts in prison, average for each working day, total working, and average per working day from December 1, 1898, to December 1, 1900. The convict who works not only has to pay all the expenses of the mines, but has to support those who are in the hospital, cooking, etc., who are not earning any money; therefore it costs to maintain and operate workers 82 cents per day. The gross earnings for each worker is \$1.48 per day, and the net earnings is 66 cents per day.

Statement "BB" shows expenditures distributed between coal and coke, the net sales of each in tons, and amounts and cost and sale price per ton.

Coke operating expenses	\$111,293 99
Coal operating expenses	150,204 48
Total expenditures as per Statement "AA".....	\$261,498 47
Coke sales	\$222,692 05
Coke expenses	111,293 99
Net earnings, coke	\$111,398 06

Coal sales	\$242,823.79
Coal expenses	150,204.48
Net earnings, coal	\$ 92,619.31

These earnings, added to other miscellaneous earnings in Statement "AA," together with the difference in invoice of coal and coke on hand December 1, 1898, and December 1, 1900, constitute the net earnings (\$208,604.53) given in Statement "AA."

In distributing the cost of operations between coal and coke at mines where both products are produced, it is the general custom to divide it so that coke shall pay one-third and coal two-thirds, upon the assumption that it takes two tons of coal to make one ton of coke; but owing to the superior quality of this coal, one ton produces .42 of a ton of coke. In *this* distribution coal at cost of mining and all coke accounts are charged to coke; one-third of the amount expended for salaries, general expenses, and blacksmithing; one-half of the amount expended for insurance, hauling water, and waterworks; and two-thirds of the amount expended for building and machinery, repairs and machinery. These amounts, as a whole, come within a fraction of amounting to 42 per cent of the entire cost of expenditures, leaving 58 per cent to be charged against the cost of coal. This is the same rule as that applied by the management of the mines, except that the moneys expended for machinery and waterworks were not treated as a charge against the earnings of either coal or coke.

This statement also shows that the average sale price for coke for the two years was \$2.15 per ton, while the average cost price was \$1.07; the average sale price for coal was 78 cents per ton, while the average cost price was 49 cents per ton.

Statement "B" shows total coal production, total gross sales (including amount charged to coke), tons and amounts, errors in invoices, differences in weights, etc., allowed, and net sales as shown in Statement "A."

It will be observed from this statement that the

Gross sales of coal for the two years amounted to.....	\$244,635 87
Add errors in invoices, etc., and local sales.....	1,958 23
Add amount to coke ovens.....	60,725 53
Total	\$307,319 63
Less errors in invoices, difference in weights, etc.....	3,770 31
Total net coal credits.....	\$303,549 32
Less invoice, December 1, 1898, coal on hand.....	192 87
Balance	\$303,356 45
Add invoice, December 1, 1900, coal on hand.....	18 25
Total gross earnings, coal, two years.....	\$303,374 70
Total tons on hand, December 1, 1898.....	753 70
Total output, tons	486,513 55
Total	487,267 25
Tons coked	180,005
Tons sold	307,221 35—487,226 35
Tons on hand, December 1, 1900.....	40 90

Statement "C" shows total coke production, gross sales in tons and amounts, errors in invoices, differences in weights allowed, and net sales from December 1, 1898, to December 1, 1900.

This statement shows

Total gross sales of coke to be.....	\$224,915 68
Add errors in invoices, etc.....	2,001 52
Total gross sales	\$226,917 20
Less errors, etc., and difference in weights allowed	4,225 15
Total net sales	\$222,692 05
Less invoice, December 1, 1898.....\$ 222 02	
Less cost of coal coked..... 60,725 53	
Total deductions	60,947 55
Net sales to credit of coke, two years.....	\$161,744 50
Add invoice, December 1, 1900.....	1,843 44
Total gross earnings, two years, from coke	\$163,587 94

which amount, with difference in invoices deducted, leaves \$161,966.52, as given in Statement "A."

Tons coke on hand, December 1, 1898.....	303	80
Tons coke production, two years.....	104,499	30
Total	104,803	10
Tons sold	103,602	70
Tons on hand, December 1, 1900.....	1,200	40

This statement also shows the average amount of coke that each ton of coal will produce for each month, the average for the two years being 42 per cent. The \$4,225.15 charged against the gross sales of coke is practically all on account of claims made by the Dayton Coal and Iron Company and the Citico Furnace Company for differences in the weights of coke at the State mines and their own. The charges on coal account for same purposes for the two years amount to only \$3,820.69, although twice the amount of coal was shipped. In arriving at the net earnings from coke, the operating expenses of coke and that part of the cost of coal added constitutes the charge against the net sales of coke; and for coal, coal operating expenses, less that charged to coke for coal, constitutes the charge against the net sales of coal, not including that charged to coke.

Statements "D" and "E" show total expenditures, by months and accounts, from December 1, 1898, to December 1, 1900.

December 1, 1898, to December 1, 1899.....	\$114,681	60
December 1, 1899, to December 1, 1900.....	146,816	87
Total, two years	\$261,498	47

This is an *itemized* statement of expenditures, by months and accounts, of the total expenditures reported in Statement "AA."

Statement "F" shows the cash receipts, by months and accounts, except that the receipts from coal and coke are

given as a whole, there being no way in which they could be divided.

December 1, 1898, to December 1, 1899.....	\$176,735.68
December 1, 1899, to December 1, 1900.....	279,957.21
Total, two years	\$456,692.89

Statement "G" shows total expenditures for labor, total amounts paid for same in coal, rents, etc., included in statement of earnings, and net amount collected from the State of Tennessee by voucher.

Total, December 1, 1898, to December 1, 1899.....	\$32,977.24
Total, December 1, 1899, to December 1, 1900.....	36,904.63
Total, two years	\$69,881.87
Less stoppages, rents, etc.....	2,544.89
Net amount collected from State.....	\$67,336.98

Statement "H" shows price paid per ton for coal and coke, by months, from December 1, 1898, to December 1, 1900, the object being to show the price per ton paid by regular coal and coke contractors and the regular market price.

Statement "I" shows Accounts Receivable, December 1, 1900. Total amount, \$44,755.17.

Statement "J" shows Bills Receivable and Accounts Payable, December 1, 1900.

Bills Receivable	\$10,817.07
Accounts Payable	\$ 22

Statement "K" shows names of employees and salaries paid for month of November, 1900, the pay roll amounting to \$3,420.83.

Statement "L" shows amounts paid for freight to H. L. Cory, cashier, on material and supplies received from December 1, 1898, to December 1, 1900, by months. Total, \$11,019.10.

Statements "M" and "N" show total amount drawn from the State Treasury, by months and accounts, by voucher, from December 1, 1898, to December 1, 1900.

December 1, 1898, to December 1, 1899.....	\$115,217 74
December 1, 1899, to December 1, 1900.....	144,916 87
Total, two years	\$260,134 61

This is \$1,372.08 less than the amount expended.

Statement "O" shows total amount expended for labor and the distribution of the cost of same to coal and coke operating accounts.

December 1, 1898, to December 1, 1899.....	\$32,977 24
December 1, 1899, to December 1, 1900.....	36,904 63
Total, two years	\$69,881 87

Statement "P" shows total amount expended for feeding, clothing, guarding, and other maintenance accounts, and the distribution of the cost of same to coal and coke operating accounts.

December 1, 1898, to December 1, 1899.....	\$ 48,950 36
December 1, 1899, to December 1, 1900.....	57,131 41
Total, two years	\$106,081 77

Statement "Q" shows amounts comprising the total expenditures for maintenance, distributed as stated in Statement "P." Total amount for two years, \$106,081.77.

Statement "R" shows total amount expended for timber and ties, which is distributed to coal and coke operating accounts. Total for 1899, \$1,379.92.

Statement "S" shows total amount expended for carpentering, and the distribution of the same to coal and coke operating accounts.

December 1, 1898, to December 1, 1899.....	\$1,724 93
Deeember 1, 1899, to December 1, 1900.....	1,815 45
Total, two years	\$3,540 38

Statement "T" shows total amount expended for team account expenses, and its distribution to coal and coke operating accounts.

December 1, 1898, to December 1, 1899,.....	\$ 6,095 26
December 1, 1899, to December 1, 1900,.....	9,232 37
Total, two years	\$15,327 63

Statement "U" shows total amount of supplies consumed, and the distribution of their cost to coal and coke operating accounts.

December 1, 1898, to December 1, 1899,.....	\$37,042 99
December 1, 1899, to December 1, 1900,.....	49,625 12
Total, two years	\$86,668 11

Statements "M," "N," "O," "P," "Q," "R," "S," "T," and "U" represent the distribution of the voucher record, amounts expended for labor, supplies consumed, maintenance, carpentering, timber and ties, and team expenses, to the various coal and coke operating accounts, constituting the total expenditures of the mines for the two years, as given in Statements "D" and "E." For instance, Statement "E" shows total expended for building and machinery repairs.

December 1, 1899, to December 1, 1900,.....	\$6,779 93
This comes from the distribution of the following accounts:	
Team Account, Statement "T".....	
Team Account, Statement "T".....	\$ 5 50
Maintenance Account, Statement "P"....	122 31
Carpentering Account, Statement "S"....	457 67
Supply Account, Statement "U".....	1,526 02
Labor Account, Statement "Q".....	1,070 25
Voucher record, Statement "N".....	3,598 18
Total	\$6,779 93

This same rule applies to all other accounts included in the table of expenditures, and checks with the books at the mines, except in one or two instances, where there is some cross entry on the books, crediting one account and charging

another, which cuts no figure in the totals. In this account \$27.00 is not checked, for the reason that it was for some old brick used from Bi-Product of coke operations, and had already been charged to that account and paid for; therefore, to again charge it here would constitute a double charge for the same expenditure. \$

Statements "V" and "W" show the total number of convicts in prison, average per working day, and how they were worked each working day from December 1, 1898, to December 1, 1900.

December 1, 1898, to December 1, 1899:

Total days	152,515
Total days cooking, hospital, etc.....	24,977
Total days working	148,538
Number of working days in the year.....	313
Average number of convicts in prison each working day	554

December 1, 1899, to December 1, 1900:

Total days	191,207
Total days cooking, hospital, etc.....	22,239
Total days working	168,968
Number of working days in the year.....	313
Average number of convicts in prison each working day	611
Number of convicts in prison, December 1, 1900.....	634

EXPENDITURES.

The statements of expenditures, both as a whole and by months, are the amounts shown to have been expended by the books of the mines. These expenditures are all treated as a charge against the earnings of coal and coke, for the reason that other coal companies, railroad company, manufacturing company, and every other gigantic enterprise, after having been constructed, equipped, and turned over to its operators, charges to, and pays out of, its gross earnings all cost of operations, including new or additional construction, improvements, and equipments (including the replacing of old machinery with new) rendered necessary by increased business or by natural wear and tear.

To do otherwise would compel the management to ask annually for an increase of the capital stock of the company to pay for such "betterments" as it might choose to exclude from its operating accounts, which no one with any business sagacity whatever, having any interest in the continuation of the existing management, would dare do. The reports of the management of the mines from month to month or the report of the Commissioners to the Governor do not give a clear, frank statement of its operations. It simply charges coal and coke with such amounts as its management sees fit to term "operating accounts," omitting as a part of the cost thereof an amount which is termed "betterments." These expenditures for "betterments" amount to about \$60,000.00 for the two years, and in the trial balance are added to the amounts *heretofore* expended on those accounts, thereby preventing its detection, unless the trial balance for the previous year, month, or other period embraced was at hand. In other words, no one can take the trial balance of the mines for the year 1898 or the year 1899 alone and tell what has been expended by the mines for that year without the trial balance for the year previous. If the East Tennessee Commissioner did not know these facts, having this department in special charge, he should have known them; and whatever may have been the reason for not including all expenditures of the mines as a charge against coal and coke from month to month, it has had the effect of depriving the Commissioners at Nashville of intelligent action in the consideration of coal and coke contracts, who in all probability, had they been in possession of all the facts, would have insisted upon higher prices being paid for coal and coke than those obtained.

PAY ROLL.

Upon examination of the distribution of labor account, it will be seen that the sum of \$69,881.87 has been expended for the two years, while the voucher record shows

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only \$67,336.98 to have been expended. The difference, \$2,544.89, is an amount paid in rents, board, supplies, etc., and not vouchered. This is in direct conflict with the law requiring all cost of prison operations to be drawn from the State Treasury, and the payment into the Treasury of all moneys collected. This same practice has been indulged in with Mr. Wiser, who has charge of the Deep Well operations, in the way of supplies, etc., being deducted from his voucher, which is also contrary to law. These and all similar practices, if any there be, should be discontinued at once.

ELECTRIC HAULAGE PLANT.

Upon reference to Statement "E," showing the expenditures, by months and accounts, from December 1, 1899, to December 1, 1900, it will be observed that the electric haulage plant was placed in the mines in June, 1900, at an expense in the aggregate of \$13,650.59. Whatever might be the good results to be accomplished by this plant in the future, it certainly has been the cause of a loss to the State for the first six months' operations. By reference to Tables "B" and "C," giving the coal and coke production by months, it will be seen that for the first six months after being installed the production of coal was 26,949 tons less than for the six months previous, which, at the average price of 96 cents per ton obtained, amounts to \$25,871.04; and that the production of coke was 6,937.95 tons less than for the preceding six months, which, at \$2.83, the average price obtained per ton, amounts to \$19,634.98, making a total difference to the State on that account of \$45,505.43.

DEEP WELL.

By reference to the waterworks account in Statements "D" and "E," it will be observed that \$11,311.56 was expended in the past two years on account of waterworks. The bulk of this expenditure is for well boring, which

seems to have been rather extensively prosecuted. I understand that these well-boring operations up to December 1, 1900, have cost the State the sum of \$13,770.59. Of this amount, \$5,237.58 is the cost of Well No. 1, which was abandoned in November, 1899, and charged off to Profit and Loss. Well No. 2, up to December 1, 1900, was about 2,900 feet deep, and cost the State the sum of \$8,533.01. The cost of hauling water from December 1, 1898, to December 1, 1900, as shown by these statements, was \$985.75, the interest upon the amount expended being nearly sufficient, at the rate of 6 per cent, to pay for it. I know nothing in regard to the object sought by the mine management in expending so much money for boring this well, but have been informed that pending its operations the general manager, who has since resigned, obtained a large number of leases involving mineral rights in a large number of tracts of land near, adjacent to, or surrounding the State's mines. These leases, I am informed, were taken in the name of himself and associates, and are recorded in the office of the Register of Morgan County. As to who his associates are, I do not know. The amount of money expended for this well would pay for all the water needed by the State, at the rate it has been paying, for twenty-six years.

GENERAL MANAGER AS CASHIER AND TRUSTEE.

There is a custom prevailing at the mines for the general manager to issue to himself vouchers for the pay roll, vouchers for freight, and vouchers for the traveling expenses of the East Tennessee Commissioner; also to reserve out of the pay of each guard \$25.00, which he keeps and deposits in bank as "Trustee," in order to protect the State against the payment of any reward it might have to pay for an escaped convict. As for the pay-roll voucher, that can be conveniently handled only in that way; but

these other matters add complications in checking the books that are unnecessary. Arrangements could be easily made with the bank at Harriman, where the deposit is kept, to advance the money, if necessary, to pay the freight vouchers. As to the expenses of the East Tennessee Commissioner, if he is entitled to any expenses, except while away from Nashville or the mines on official business, he could draw his own voucher in his own name. These expenses, from September 1, 1899, to December 1, 1900, amounted to the sum of \$323.00. The State could be made the trustee for the fund reserved out of the guard's salary by reserving the \$25.00 from the pay roll. When the guard quits, this amount could then be added to the amount due and paid.

FREIGHT RATES.

In checking up the expenditures my attention was called to the large amount paid for freight on supplies shipped to and from the mines. By referring to Statement "L," it will be seen that the cost of freight on material and supplies received at the mines from December 1, 1898, to December 1, 1900, amounted to \$11,019.10. The rates are in some instances very excessive, and particularly is this true in the case of the Harriman and Northeastern Railroad Company. From the best information I can get in dissecting the freight bills, the Harriman and Northeastern Railroad, running from Harriman to the mines (twenty miles), received of the total amount paid the sum of \$2,709.37 for the year ending December 1, 1900. That road also received \$723.60 from the State on account of passenger traffic of convicts and guards for the same period. I understand that its minimum rate per ton on coal and coke shipped from the mines is 17.2 cents. This being true, the revenue derived from the State's mining operations and accruing to said road for the year ending December 1, 1900, was not less than the following amounts:

Freight on supplies, etc.....	\$ 2,709	37
Passenger traffic	723	60
Coal and coke, 199,516 tons, at 17.2.....	34,316	69
Total	\$37,749	66

This income, capitalized at 6 per cent, represents a valuation of \$641,833.00, which is much more than the road is at present bonded for. It charges the State 35 cents per ton for coal and coke billed to Harriman, while it charges 17.2 cents, or a fraction over, for coal billed beyond Harriman. I understand, also, that it charges the Crooked Fork Coal Company, also situated at Petros, only 30 cents per ton for coal shipped to Harriman, thereby discriminating against the State to the extent of 5 cents per ton. The rates from Petros or Brushy Mountain Mines to the following points are as follows:

	\$1.30	per ton.
Rome, Ga	1.10	" "
Dalton, Ga	1.10	" "
Macon, Ga	1.75	" "
Barnesville, Ga	1.75	" "
Marietta, Ga	1.30	" "
Acworth, Ga	1.30	" "
Augusta, Ga	2.05	" "
Savannah, Ga	1.95	" "
Chattanooga, Tenn65	" "
Frankfort, Ky	1.25	" "
Huntsville, Ala	1.20	" "
Florence, Ala	1.45	" "
Harriman, Tenn35	" "
Oakdale, Tenn	17.7	" "
Dayton, Tenn50	" "
Nashville, Tenn	1.65	" "

There is practically none of the State's coal sold at Nashville owing to prohibitory freight rates. If the State could get a rate of \$1.00 per ton, to Nashville, the same as the Kentucky mines get, it would be of material benefit to the State's mining operations.

The Harriman and Northeastern Railroad is bonded for \$300,000.00. It was sold under foreclosure sale in July,

1895, for \$200,000.00, but was afterwards restored to the holders of its bonds. The road's rate, I learn, has at times in the past been 10 cents per ton; and from the fact that it furnishes no cars and is at but little expense, there is no reason why the rate should not be 10 cents now.

COAL OUTPUT.

There is no check on the amount or the number of tons of coal produced at the mines. Instead of the output of the mines being the basis upon which other calculations are made, it is arrived at by adding the amount on hand at the end of the month to the number of tons sold and the number of tons coked, and subtracting from these totals the amount on hand at the end of the month previous.

COAL AND COKE CONTRACTS.

Tabulated Statement "H" contains the names of the larger contractors for coal and coke and the prices per ton, as well as the names and prices per ton of some other purchasers buying in smaller quantities, presumably at the market price. R. O. Campbell, George P. Howard, R. W. Graves, and the Fulton Bag and Cotton Mills consumed the bulk of the coal output sold; while the Dayton Coal and Iron Company and the Citico Furnace Company practically consumed the entire coke output from December 1, 1898, to February 1, 1900. After that date the Alabama Consolidated Coal and Iron Railroad Company, the North Alabama Coal and Iron Company, the United States Cast Iron Company, and the Chattanooga Furnace Company consumed the bulk of the coke output.

COAL.

By comparing the prices paid for coal, as shown in this statement, by George P. Howard, R. W. Graves, and the Fulton Bag and Cotton Mills, with Statement "B," showing the average price per ton obtained by the State, by

months, it will be observed that while at the dates on which their contracts were made the prices agreed to be paid seemed reasonable, at the same time during the existence of these contracts they obtained coal for a much less sum than the average prices obtained by the State. From April 1, 1899, to April 1, 1900, R. W. Graves and the Fulton Bag and Cotton Mills paid 65 cents per ton, while George P. Howard paid 66 cents per ton. The average prices per ton received by the State for those months were as follows:

April, 1899	55 cents.
May, 1899	60 "
June, 1899	59 "
July, 1899	61 "
August, 1899	67 "
September, 1899	71 "
October, 1899	76 "
November, 1899	80 "
December, 1899	87 "
January, 1900	98 "
February, 1900	92 "
March, 1900	91 "

COKE.

CONTRACT OF DAYTON COAL AND IRON COMPANY.

The first contract with this company begins March 1, 1898, and expires March 1, 1899. It calls for 1,500 tops of forty-eight-hour furnace coke per month, of 2,000 pounds each, at the rate of \$1.25 per ton, to be weighed upon the Commissioner's scales at the mines. If these weights are found to be incorrect by the weighing of the scales of the company at Dayton, Tenn., the same is to be corrected in monthly statements. The company had the option to extend, and did extend, this contract, at its expiration on March 1, 1899, to March 1, 1900, except that the rate per ton to be paid to the State was based upon the market price of No. 3 foundry pig iron. The base price for coke shall be \$1.25 per ton, and the base price for No. 3

foundry pig iron \$7.50 per ton. When the average price for No. 3 foundry pig iron for any one month shall be 50 cents per ton more at the furnace of the company than the base price herein named, the price of coke is to be advanced the sum of 4 cents per ton. In order to arrive at the facts as to No. 3 foundry pig iron at the furnace, the president of the company is required to furnish *on honor and in confidence* to the manager of the mines a statement of the price obtained for said grade of iron each month. A second contract calling for 1,500 tons of coke more per month was made December 22, 1898, upon the same basis as the first, together with its extensions, except that the base price for coke was \$1.35 per ton instead of \$1.25 per ton. If strikes or *other causes* compel the stoppage of one or both furnaces, the deliveries are to be suspended upon notice given by the company, and continue during the period of interruption of operations, but upon removal of the cause the deliveries of coke are to be resumed.

CONTRACT OF CITICO FURNACE COMPANY, CHATTANOOGA.

This contract provides for the purchase of not less than 480 nor more than 600 tons of furnace coke per week, at the rate of \$1.25 per ton of 2,000 pounds. It bears date of January 1, 1898, and expired January 1, 1899. Option to renew for one year from January 1, 1899, to January 1, 1900, was given, and the contract was renewed upon the same sliding scale based upon the price for No. 3 foundry pig iron, as provided for in the contract with the Dayton Coal and Iron Company, except that it was also based upon the freight rate of 55 cents per ton from Petros to Chattanooga, Tenn. In the event this rate was advanced, the price to be paid for coke should be reduced not exceeding 5 cents per ton. In the event the furnace company shall be shut down, the company shall not be obligated to receive said coke. There is no provision in this contract in regard to correction of weights.

The price per ton charged upon the books of the mines was \$1.25, and at the end of each month a sufficient amount was charged to these accounts to make the rate as I have reported it in Statement "H," and the amounts added upon the ledger by journal entry. I had no authority to investigate the books of the Dayton Coal and Iron Company or the Citico Furnace Company; therefore, I cannot tell whether the average prices reported to have been obtained by them for No. 3 foundry pig iron, *on honor and in confidence*, to the manager of the mines, were correct or not. These extra or additional charges, with the total amount, are as follows:

April, 1899	\$ 599 30
May, 1899	225 59
June, 1899	236 60
July, 1899	506 45
August, 1899	840 53
September, 1899	610 82
October, 1899	658 55
November, 1899	1,262 87
January, 1900	297 71
February, 1900	332 90
March, 1900	265 38
Total	\$5,837 00

A large amount of this increase in price per ton was offset by shortages in weights claimed and allowed, as shown in statement "C," as a reduction against the gross sales of coke. In May, 1900, a claim of \$2,467.84 against the Citico Furnace Company was compromised for the sum of \$467.84.* Taken as a whole, the State received but little, if any, benefit, so far as these contracts are concerned, upon the phenomenal increase of the price of pig iron from \$7.50 per ton to about \$18.50 per ton during their existence. While the State has made a great deal of money upon coke for the past two years, it would have made at least 75 cents per ton, or about \$50,625.00 more, had these contracts never existed. In the event coke had gone down, these com-

*This may be intended for \$2,000.00. Original memorandum brought from mines misplaced

panies could have declined to receive it and could have escaped liability therefrom under these contracts by simply suspending operations at one of their furnaces. The Alabama Consolidated Coal and Iron Company had a contract dated March 16, 1900, and expiring December 31, 1900, calling for four ears of coke daily at \$3.40. When coke went down about September 1, last, I understand that they suspended operations and quit taking it. Under these contracts the companies had no chance to lose.

BOOKS.

The books of the mines are well kept. Statements "M" and "N" show upon what accounts the moneys are drawn from the State Treasury, by months and accounts; while Statements "AA," "D," and "E" show the various mine operating accounts upon which they were expended. This is done by a system of distribution, and it is very interesting to check up the work. There should, however, be a check at the Main Prison upon these mines; and in order that that may be done, all the cost for supplies, labor, maintenance, timber and ties, team and carpentering accounts—which, with the voucher record, compose the distributive accounts—should be distributed and closed at the end of each month. These amounts should then be balanced with the voucher record, and their report should so show. These amounts, less the cash receipts for board, miscellaneous supplies, etc., should constitute the cost of coal and coke, distributed in the manner now followed. I can see that the treatment of all supplies purchased as consumed would at times make the cost price of coal and coke a fraction more than it otherwise would be, but that is far more preferable than to have these accounts standing open and their cost distributed at the pleasure of the management.

Every entry upon the books from December 1, 1898, to December 1, 1900, has been checked, except the postings of

the sales ledger to individual accounts. To do this properly and verify the charges will require the services of two men for thirteen days, working ten hours per day. This should be yet done. I found no trace of the investigating committee of two years ago, so far as the books are concerned, save the checking of the cashbook.

OUTSTANDING WARRANTS.

The following are the unpaid or outstanding vouchers of the State Prison, except such as were issued and now held by individuals prior to December 1, 1898:

MAIN PRISON.

December 1, 1898, to December 1, 1900:

No.		
6546	Ellis Harper (held for settlement).....	\$ 165 21
7056	N., C. & St. L. Ry. Co.....	4 30
7066	W. H. Gammon, Warden.....	82 92
7177	Overton & Bush	5 00
7259	J. B. Cage (held for settlement).....	45 85
7365	T. J. Mooney	37 34
7671	L. G. Tate	108 55
7907	John Van Range Co.....	4 00
8555	W. H. Hartford	18 28
8579	Ross-Mayer Manufacturing Co.....	3 77
8619	Duncan & Co	14 78
8668	L. H. Hitchcock	53 80
8741	Nashville Street Railway Co.....	94 30
8780	K. J. H. Wait.....	14 17
8802	J. L. Molt	43 72
8824	W. H. Hartford	277 51
8845	Nashville Street Railway Co.....	85 85
8829	E. F. Nenon	1 75
8846	D. C. Scales	133 15
8847	L. G. Tate	270 35
	Total	\$ 1,454 60

BRUSHY MOUNTAIN PRISON.

HELD BY INDIVIDUALS.

December 1, 1898, to December 1, 1900:

10824	J. E. Carr & Son.....	\$ 1 20
12011	Nat. J. Scott	1 87
12115	J. W. Wells & Bro.....	147 36

12157 Tennessee Milling Co....	8 71
12196 Chattanooga Foundry Co.....	24 00
12228 Frank Schurbert	24 69
12238 A. B. Cooper	14 80
12244 Mountain City Manufacturing Co.....	15 20
12247 Ross-Mehan Foundry Co.....	47 08
12257 Knoxville Iron Co	87 07
12267 Lookout Boiler Manufacturing Co....	31 25
12277 H. & N. E. Ry. Co.....	160 05
12283 E. T. Lumber Manufacturing Co.....	38 42
12288 Chattanooga Car & Foundry Co.....	92 48
12293 H. L. Cory Co.....	399 50
Total held by individuals.....	\$ 1,093 68

HELD BY PRISON COMMISSIONERS.

Issued prior to December 1, 1898:

10478 Prison Commissioners, on account of farm	\$ 226 00
10350 Prison Commissioners, on account of farm	247 10
10414 Prison Commissioners, on account of farm	123 90
1592 Prison Commissioners, on account of farm	67 02
1754 Prison Commissioners, on account of farm	440 25
1791 Prison Commissioners, on account of farm	10 00
1904 Prison Commissioners, on account of farm	48 60
1942 Prison Commissioners, on account of farm	7 14
10029 Prison Commissioners, on account of farm	37 10
10056 Prison Commissioners, on account of farm	86 00
10128 Prison Commissioners, on account of farm	84 20
10472 Prison Commissioners, on account of manufacturing department	323 28
10143 Prison Commissioners, on account of manufacturing department	550 00
1792 Prison Commissioners, on account of manufacturing department	769 25
1261 Prison Commissioners, on account of manufacturing department	7,841 69

10296 Prison Commissioners, on account of manufacturing department	915 35
10177 Prison Commissioners, on account of manufacturing department	144 00
10329 Prison Commissioners, on account of manufacturing department	358 80
10411 Prison Commissioners, on account of manufacturing department	476 13
10061 Prison Commissioners, on account of manufacturing department	917 47
10013 Prison Commissioners, on account of manufacturing department	482 27
1936 Prison Commissioners, on account of manufacturing department	616 33
1905 Prison Commissioners, on account of manufacturing department	342 60
1728 Prison Commissioners, on account of manufacturing department	209 73
1675 Prison Commissioners, on account of manufacturing department	802 55
1593 Prison Commissioners, on account of manufacturing department	974 30
1528 Prison Commissioners, on account of manufacturing department	4,029 95
1591 Prison Commissioners, on account of maintenance of convicts	68 59
1676 Prison Commissioners, on account of maintenance of convicts	12 77
158 Prison Commissioners, on account of maintenance of convicts	40 00
Total held by commissioners issued prior to December 1, 1898..	\$21,252 37

Issued from December 1, 1898, to December 1, 1900:

11534 Prison Commissioners, on account of maintenance	\$ 103 69
11711 Prison Commissioners, on account of maintenance	33 93— 137 62
10545 Prison Commissioners, on account of farm	248 01
10772 Prison Commissioners, on account of farm	35 00
10964 Prison Commissioners, on account of farm	2 50
11065 Prison Commissioners, on account of farm	7679

11216	Prison Commissioners, on account of farm	549 99
11294	Prison Commissioners, on account of farm	81 06
11608	Prison Commissioners, on account of farm	76 15
12070	Prison Commissioners, on account of farm	619 20
12221	Prison Commissioners, on account of farm	3 00— 1,691 64
	Prison Commissioners, on account of manufacturing department	553 45
	10546 Prison Commissioners, on account of manufacturing department	103 51
10615	Prison Commissioners, on account of manufacturing department	236 20
10682	Prison Commissioners, on account of manufacturing department	301 80
10758	Prison Commissioners, on account of manufacturing department	1,234 00
10816	Prison Commissioners, on account of manufacturing department	938 91
10987	Prison Commissioners, on account of manufacturing department	626 52
11064	Prison Commissioners, on account of manufacturing department	829 45
11124	Prison Commissioners, on account of manufacturing department	406 00
11282	Prison Commissioners, on account of manufacturing department	955 10
11381	Prison Commissioners, on account of manufacturing department	471 45
11444	Prisen Commissioners, on account of manufacturing department	695 84
11573	Prison Commissioners, on account of manufacturing department	701 10
11663	Prison Commissioners, on account of manufacturing department	368 60
11704	Prison Commissioners, on account of manufacturing department	488 96
11740	Prison Commissioners, on account of manufacturing department	116 30
11801	Prison Commissioners, on account of manufacturing department	1,253 23
11876	Prison Commissioners, on account of manufacturing department	1,040 60

11983 Prison Commissioners, on account of manufacturing department	417 55
12053 Prison Commissioners, on account of manufacturing department	358 15
12255 Prison Commissioners, on account of manufacturing department	482 71
11179 Prison Commissioners, on account of manufacturing department	786 70
11497 Prison Commissioners, on account of manufacturing department	217 65—\$13,625 78
Total for Brushy Mountain.....	<u>\$35,969 83</u>
Total for all	<u>\$37,424 43</u>

Of the vouchers outstanding for Brushy Mountain, \$34,876.15 are in the hands of the Commissioners and held by them. The effect of their withholding these vouchers has been that the books of the Comptroller and Treasurer show less expenditures and less receipts from prison operations than really exist. These vouchers, under their system of bookkeeping, should have been entered upon the cashbook when received, the proper accounts credited, the Comptroller's warrants issued therefor, and the amount turned into the State Treasury to the credit of the Main Prison. They were never entered on the cashbook, but seem to have been credited, nevertheless, to the accounts of the farm and manufacturing department. This action places the books of the Main Prison out of balance, therefore, to that extent. For the past two years these vouchers amount to \$15,453.04, which, if properly credited and stripped from whatever fictitious profits exist, would have increased the earnings of the Main Prison probably \$10,000.00. I knew nothing about their being held by the Commissioners until I checked up the voucher record with the record of payments made by the State Comptroller. The position occupied by these vouchers is the same as if the State Comptroller, in receiving payable warrants with other moneys to be credited to the account of a Clerk or Trustee, would simply pass into the Treasury the cash and withhold the warrants, and then credit the account of the

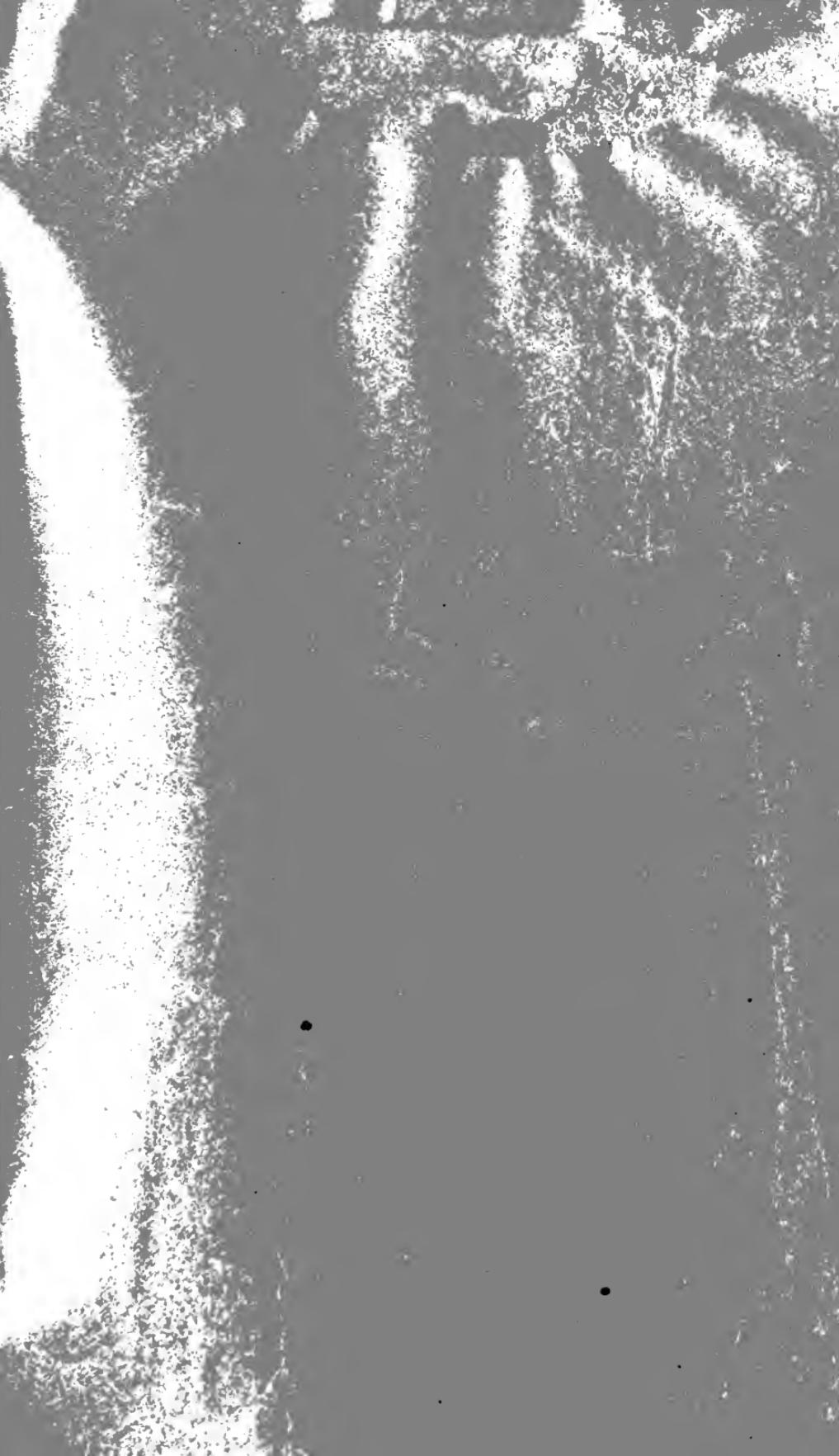
Clerk with both. Then the books of the Treasurer would show that the Comptroller had not passed into the Treasury all of his receipts to the extent of these warrants. From the fact that these vouchers are sight drafts upon the State Treasury, and from the further fact that they were not entered on the cashbook, they could have been used by any one having access to them without detection, unless, perhaps, the investigating committee would, at the end of the two years' business, check them up with the record in the Comptroller's office. These vouchers should be taken to the Comptroller's office, payable warrants issued therefor, and the same passed into the Treasury of the State, in order that the books of the Treasurer and Comptroller may show the State Prison operations as required by law.

CONCLUSION.

In conclusion, I will state that in this investigation I have been treated with kindness and courtesy by all prison officials, clerks, and employees, and have been materially assisted by Mr. F. M. Johns, of Rutherford County. I have been thus explicit and have reported in such detail with the hope that you may be more able to discharge the intricate duties devolving upon you in connection with the State Prison and its management with that degree of intelligence its importance demands.

Very respectfully,

J. W. ALLEN,
Auditing Accountant.



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